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RUEHNAG/AMCONSUL NAGOYA PRIORITY 8666
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TAGS: [FAIR](#) [ELTN](#) [PGOV](#) [ETRD](#) [JA](#)
SUBJECT: UPCOMING CIV AIR TALKS: MORE OF THE SAME?

REF: A. TOKYO 2272
[1](#)B. TOKYO 2108

Sensitive But Unclassified. Contains Proprietary Information.

[1](#)1. (SBU) Summary: The upcoming bilateral civil aviation talks in Tokyo October 29-30 offer an excellent opportunity to urge the GOJ to undertake needed meaningful liberalization of Japan's aviation sector. However, recent discussions with the Japan Civil Aviation Bureau (JCAB), Japanese airline officials (from ANA and JAL), and other aviation-related interlocutors suggest the GOJ will continue to hold to its long-standing "go slow" line on sectoral reform. The GOJ hopes the talks will focus on the "overall framework" for 2010, including expansion of operations at both Narita and Haneda airports.

[1](#)2. (SBU) During your meetings with GOJ and Japanese airline counterparts, we suggest making the following points:

-- Express appreciation for the efforts Japan has made to liberalize its aviation sector.

-- Underscore the benefits of the U.S. Open Skies model and of anti-trust immunity, especially potential benefits to continued skeptic, JAL.

End Summary.

What the GOJ Wants

[1](#)3. (SBU) A JCAB official told us the GOJ is making progress on aviation liberalization, and expansion of third and fourth freedoms -- the right for an airline to deliver passengers from the home country to another country and the right for an airline to transport passengers from a foreign country to the home country -- are the basis for Japan's aviation liberalization policies. They argue this approach conforms

to the 1998 bilateral aviation Memorandum of Understanding (MOU), which states the GOJ will pursue full liberalization. (Note: The official claimed that in the June 2008 informal talks, the GOJ provided a road map for expanding third and fourth freedoms that exclude Haneda and Narita airports, arguing that they already operate at full capacity. End Note.) The Asian Gateway Initiative, which was announced in May 2007 and encourages liberalization of air services between Japan and other Asian countries, comprises a key component of the GOJ approach. The GOJ has so far signed agreements with Korea, Hong Kong, Thailand, Vietnam, Singapore, and Macao. Negotiations with the Philippines are scheduled for November, while discussions about a possible agreement continue with China. The JCAB indicates it would be satisfied with a liberalized agreement with the U.S. including third and fourth freedoms. When asked about the 2010 APEC Bogor goals for aviation liberalization, JCAB noted these goals are only voluntary, and that many APEC economies remain unenthusiastic about achieving this objective.

14. (SBU) The JCAB has said it expects this round of civ air talks to address the overall framework for 2010, including the Narita and Haneda expansion that will be completed that year. The new lead negotiator, JCAB Deputy Director-General Kenji Takiguchi, aims to achieve "mutually beneficial results...from a series of negotiations," according to JCAB. An ANA representative said he understands Takiguchi already plans for another round of talks this spring, thus suggesting the GOJ sees it unlikely an agreement will be reached now. If the USG proposes increased liberalization, the GOJ will

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demand an equalization of slots, he continued. It will be very difficult for the GOJ to make compromises this year due in large part to Japan's political situation.

What the Airlines Want

15. (SBU) ANA representatives hope the USG will take a "constructive and positive" approach to Haneda's expansion. Specifically, they advocate that the USG accept restrictions on access at Haneda in exchange for a phased in liberalization. ANA also wants further discussion between the USG and GOJ on anti-trust immunity, a key component of an Open Skies regime. JAL representatives, in contrast, are more interested in progress on other agenda items raised during previous talks: U.S. anti-cabotage rules as they relate to JAL/Jalways routes to Hawaii; the Fly America Act; and their perception of inequality in slot distribution at Narita. Anti-trust immunity for alliance partners is not on JAL's agenda, according to ANA officials. A JAL representative says he does not understand what could be possible with anti-trust immunity, while a JCAB official told us separately Japanese carriers are uninterested in anti-trust immunity.

Different Interpretations of Open Skies

16. (SBU) An ANA representative said the GOJ views Open Skies as a regime that favors the country with the most airport slots for its carriers. Should Japan conclude an Open Skies agreement with the United States, the GOJ fears being inundated by similar requests from neighboring countries, particularly China and Korea. Japanese carriers would be unable to compete, he said. Both ANA and JAL representatives queried us about whether an Open Skies agreement between the U.S. and Japan that excludes Narita and Haneda airports might be possible; ANA contends Narita is "almost liberalized" anyway. A JAL representative claimed the Fly America Act and U.S. anti-cabotage rules unfairly discriminate against Japanese carriers. It is not right that the U.S. maintains such restrictions while pushing for Open Skies, he said. He also commented that the high proportion of U.S. slots at Narita airport relative to other countries "puts the U.S.

twenty meters ahead in a 100-meter race." ANA has commented separately it will be "impossible" to convince JAL to accept Open Skies, an assertion JAL denied in a separate conversation.

¶17. (SBU) A Kansai International Airport Corporation (KIAC) official suggested Japan has been more receptive to Open Skies during previous civil aviation talks than has the U.S. KIAC Wants to encourage third-country carriers to fly to the U.S. via KIX, something Open Skies would facilitate. Previously, Japanese carriers were interested in operating Japan-U.S. routes that included onward flights to a third country. However, the current economic downturn has diminished interest in such routes, according to a KIAC official.

In Search of More Slots

¶18. (SBU) An ANA representative said his airline was frustrated by the limited number of slots for international flights at Haneda airport (only 30,000). Most local governments, other than Chiba Prefecture (where Narita is located), want more flights. The Ministry of Land, Infrastructure, Transport, and Tourism (MLIT), for example,

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can therefore only increase slots only incrementally, he claimed. ANA does believe MLIT will increase international slots over time, but will not say so publicly due to political considerations.

¶19. (SBU) A JCAB official noted the GOJ's recent progress in increasing slots at Tokyo's airports, e.g., negotiations between MLIT and local governments that resulted in 20,000 new slots at Narita in addition to the airport's current 200,000 slots. The same JCAB official asserted the USG should understand MLIT can only achieve this expansion at politically sensitive airports like Narita and Haneda through quiet, behind-the-scenes negotiations with various stakeholders. Western-style transparency is not an option, he contended.
SCHIEFFER